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SUBJECT: SCENESETTER FOR UNDER SECRETARY BURNS' VISIT TO
TOKYO

Classified By: Ambassador J. Thomas Schieffer for reasons 1.4(b) and (d)
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¶1. (S) While your upcoming visit to Tokyo will focus primarily on multilateral and G-8 issues, the Mission would like to share with you some background on where our relations with Japan now stand.

Your meetings with Vice Foreign Minister Yabunaka and your host, Deputy Foreign Minister Sasae, will provide you an opportunity to underline the overriding importance the United States attaches to our relations with Japan. The U.S.-Japan relationship is changing. Never before have the United States and Japan been involved so intensively in so many different issues around the globe. From working together to denuclearize the Korean Peninsula and manage China's peaceful rise, to our cooperative efforts on Operations Enduring Freedom and Iraqi Freedom, our relationship is truly global in nature.

The Japanese will look forward to hearing from you that America is committed to staying in Asia and maintaining the U.S.-Japan Security Alliance. They are also looking forward to hearing your views on the Six-Party Talks and our thoughts on a future Northeast Asia Peace and Security Mechanism (NEAPSM). Because of the primacy Japan attaches to its alliance relationship with us -- and the special status it affords Japan in the region -- the Japanese are wary of anything that could undermine the security relationship. They are also concerned that moving ahead with NEAPSM prior to the denuclearization of North Korea sends the wrong message to Kim Jong-il. Stressing to them that we see any new security mechanism in Northeast Asia as being built upon our existing alliance relationships will offer reassurance.

Japan welcomed the recent release of information on the DPRK-Syria nuclear connection and some believe that this may pressure North Korea to come clean about its proliferation and other activities. Although many Japanese understand the importance of denuclearization, past abductions of Japanese citizens by the DPRK remain a highly emotional subject, and Prime Minister Fukuda still worries that North Korea will be de-listed from the State Sponsors of Terrorism list without any progress on this front. He must work hard to manage public opinion on this matter.

Prime Minister Fukuda has moved to improve relations with China, the ROK and the ASEAN countries. ROK Lee Myung-bak's recent visit was hailed by both sides as a "great success." Chinese President Hu Jintao had a good visit in May, but attempts to use aid for the Sichuan earthquake victims to improve further the bilateral relationship have been hamstrung by public criticism in both countries.

The Japanese want to be good hosts to the G-8 this summer in Hokkaido and will emphasize climate change, environmental issues, and Africa in coordination with the United States. Expect inquiries on what you think would constitute a good

G-8 result. They will also want to know more about U.S. intentions with regard to Free-Trade Agreements in the neighborhood.

In terms of its place in the world, Japan has changed in fundamental and positive ways over the last six years. Former Prime Ministers Koizumi and Abe made hard political decisions and took steps once considered impossible. The Self Defense Forces (SDF) deployment to Iraq, Japan's refueling operation in the Indian Ocean, acceptance of a nuclear-powered carrier to replace the USS Kitty Hawk, the alliance transformation process, and enhanced intelligence sharing are unprecedented first steps in creating a more robust Japanese national security policy. Furthermore, the privatization of Japan Post, an institution whose assets are roughly equivalent in size to China's GDP, and the government's pledges to double foreign direct investment are two indications that the priorities of a USD 4.7 trillion economy are also shifting. In terms of a transformation in public opinion, the once powerful, anti-American left no longer exists. While pacifism remains deeply ingrained in Japan, there is a new consensus among the public and the elite -- due in part to the DPRK threat and the PRC's growing power projection capabilities -- that the U.S.-Japan Alliance is vital to Japan's national security. Similarly, on the economic side, the bilateral relationship is not where it ought to be between the world's two largest economies. Enthusiasm for economic reform has waned among many Japanese, and even in areas such as climate change and energy where U.S. and Japanese positions have been closely aligned, the Fukuda Government seeks to leverage progress on climate change in the G-8 to boost his political fortunes.

That said, domestic political turbulence is having a negative impact on some of our important priorities. Prime Minister Fukuda's popularity is at an all-time low and opposition control of the Upper House of the Diet has complicated prospects for new initiatives. Many here believe that a major cabinet reshuffle after the G-8 is likely, bringing with it an increased reluctance to take political risks. The lack of political leadership has left a policy vacuum that is being filled by narrowly-focused bureaucrats. While Tokyo committed under Prime Minister Koizumi to expanding the SDF capabilities and roles, it continues to shortchange its military, delay acquisition of critical weapons systems, and attempt to pay less in terms of operations and host nation support, due to a difficult fiscal situation that is being exacerbated by slowing economic growth. The Fukuda administration has also been less aggressive in implementing base realignment than its predecessors.

While in the short term, we will have difficulty pressing any new security initiatives, we can still make solid progress on items already teed up. Alliance transformation, the associated move of U.S. Marines to Guam, and relocation of Futenma Air Station are moving in the right direction, albeit with some bumps in the road. Intelligence sharing is an ongoing success story, as is Ballistic Missile Defense (BMD) cooperation and preparations for the forward deployment of the USS George Washington, the first nuclear-powered aircraft carrier to be based in Japan. A quick reference list of issues follows. Embassy Tokyo looks forward to your visit.

Issues

Six-Party Talks: The Japanese and North Koreans will meet June 7 for informal discussions that may jump start formal discussions the week of your visit. Disablement activities at Yongbyon are proceeding, but the DPRK has yet to provide a complete and correct declaration of its nuclear programs. U.S. action on the DPRK's designation as a state sponsor of terrorism will depend on progress on denuclearization and fulfillment of legal criteria; the announcement of DPRK-Syria nuclear ties underline the importance of North Korea's full declaration of all nuclear activities, including proliferation. We will continue to press the DPRK to address Japanese abductees and will work closely with Japan on this

issue.

U.S.-Japan Alliance: Our Alliance is the cornerstone of security in Northeast Asia, and essential for preserving peace and stability throughout the region. Alliance transformation spelled out in the Defense Policy Review Initiative (DPRI) is mutually beneficial and will strengthen Alliance capabilities. We are now entering the first phase of Okinawa consolidation and look forward to expeditious implementation of the agreed-to plan. We are not prepared to discuss changes to the implementation.

Information Sharing and Security: The Bilateral Information Security Task Force (BISTF) process is at an important stage. Broadening participation on the Japanese side is a critical step toward realizing government-wide measures for protecting classified information. Improved security will allow both sides to develop a deeper, more robust information sharing regime, further strengthening the alliance. It is important that Japan remains engaged in the process and make visible progress in its ability to protect classified information.

Child Pornography: The Japanese Diet has responded positively to the Ambassador's public campaign to criminalize the possession of child pornography, which remains legal in Japan and Russia alone among the G8 member countries. The Japanese have told us that a law criminalizing simple possession will pass this fall.

Multilateral Security Cooperation: The United States remains committed to its close cooperation with Japan and Australia. We look forward to a constructive dialogue during your visit and at the June 27 Trilateral Security Dialogue Ministerial in Kyoto following the G8 Foreign Ministerial. We also support Japan's outreach to NATO and like-minded countries on security initiatives.

Burma: Japan has scaled back its aid to Burma, but has not imposed economic sanctions, although it discourages companies from investing in Burma. Japan could do more, but fears driving Burma closer to China.

China: Prime Minister Fukuda has worked hard to improve relations with China, but an imported frozen food poisoning case and the crackdown in Tibet became bilateral irritants. Although the Sichuan earthquake generated sympathy within

Japan, the delayed dispatch of Japanese search and rescue and medical teams generated mixed reactions in both countries.

Korea: President Lee's April visit was deemed a "great success," and both sides have expressed a desire to build a Japan-ROK relationship that is "different from the relationship up until now," although Korea remains less interested than Japan in restarting FTA talks. The United States is interested in strengthening trilateral security cooperation with Japan and the ROK. We are currently considering appropriate modalities.

Iraq: With \$1.5 billion in grants, up to \$3.5 billion in concessionary loans, and \$6 billion in debt relief, Japan is the second-largest contributor to Iraqi reconstruction. In January, Japan and Iraq concluded disbursement agreements for eight reconstruction projects worth \$1.5 billion. In April, MOFA announced an agreement on two additional projects. These agreements signify Japan's continued strong support for Iraqi reconstruction. Japan's Air Self-Defense Forces (ASDF) have deployed 200 personnel and three C-130 aircraft in Kuwait to transport cargo and personnel in Iraq. However, it is very likely that given the current domestic political situation, the law enabling the ASDF to operate in Iraq will not be renewed when it expires in next July.

Afghanistan: In January, Japan passed legislation to restart refueling operation in support of Operation Enduring Freedom. Japan is working more closely with the PRTs and has assigned a full-time liaison officer to NATO's office in Kabul. Japan is the third highest bilateral contributor (behind the United

States and UK) to Afghanistan, with \$1.4 billion pledged since 2002. Japan's most visible endeavor in Afghanistan is the construction of a 114 kilometer stretch of the southern ring road. This project, originally scheduled for completion in 2005, has been beset by delays stemming from Japan's security concerns. We have also recently been asking the Japanese to consider providing airlift helicopters to support operations in Afghanistan. Japan will be sending a survey team to the region in the coming weeks to explore deployment possibilities, but it is unlikely to commit to sending ground forces or helicopter units.

Middle East Peace Process: Japan is moving forward with its "Corridor for Peace and Prosperity" initiative that will establish an agro-industrial park in the West Bank, and pledged \$150 million in project assistance at the December Paris donors, conference. Last August, Japan resumed direct assistance to the PA, contributing \$20 million. Prime Minister Olmert visited Tokyo February 25-28 making him the first Israeli Prime Minister to visit in eleven years. As G-8 President, Japan is co-chairing this year's BMENA process.

Iran: Fukuda met earlier this week with President Ahmadinejad on the margins of the FAO Summit in Rome, and urged him to make the "bold decision" to cease uranium enrichment. Ahmadinejad rejected this appeal. Japan is implementing UNSCRs 1737, 1747 and 1803, and in April 22 became one of the first countries to announce asset freezes against designated Iranian individuals and entities pursuant to 1803. Japan is among Iran's top export markets (mostly oil) and is Iran's 10th largest supplier of machinery and manufactured goods. Most Japan-Iran trade is covered by short-term credits. Still, since April 2006, the Japan Bank for International Cooperation (JBIC) has ceased issuing Iran new long-term export credits and Japan has promised to begin closing outstanding long-term credits.

Pakistan: Japan is providing education assistance and has said it will consider additional aid once the security situation improves. Tokyo recently announced it will double its loan assistance to Pakistan to \$400 million for infrastructure projects.

Russia: Russia has expressed understanding of Japan's BMD program while showing increasing interest in U.S.-Japan BMD cooperation. A recent overflight incident involving a Russian bomber demonstrates Russia's unhelpful attitude toward the alliance and regional security.

Africa: Japan just hosted the fourth Tokyo International Conference on Africa and Development, which was attended by over 40 heads of state. Tokyo has announced a major increase in aid to Africa and is considering sending a small number of self defense personnel to participate in U.N. operation in Sudan.

Beef: Japan remains closed to U.S. beef and beef products from animals older than 20 months of age. Once our largest overseas export market for beef, Japan now receives less than 25 percent of pre-2004 export levels. In a December letter

to President Bush, PM Fukuda proposed raising age restrictions to include animals up to 30 months of age, a move he suggested would allow over 90 percent of U.S. beef exports. We strongly oppose this approach and have indicated that we would not cooperate in its implementation. The President has not answered Fukuda's letter.

SCHIEFFER